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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 003846

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STATE FOR EUR/SE AND PM/DTTC

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TAGS: MARR MASS PREL PGOV TU

SUBJECT: DEPUTY UNDER SECRETARY OF DEFENSE PATRICK

UNDERSCORES CONTINUED CONCERNS WITH ATAK HELO TENDER

REF: ANKARA

Classified By: Acting DCM James R. Moore, reasons 1.4 (b) and (d).

¶1. (C) SUMMARY: Deputy Under Secretary of Defense (DUSD) for Industrial Affairs Suzanne Patrick notified Turkish Under Secretary for Defense Industries Murad Bayar that US

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companies and the US government remained concerned about many of the ATAK Helicopter tender terms and conditions (T&Cs), despite revisions made by the Turkish Undersecretariat for Defense Industries (Savunma Sanayi Mustesarligi - SSM) in response to input from Boeing. She suggested several SSM actions that might address key industry concerns -- including hosting meetings for all prospective bidders with the mission computer design team -- and urged SSM to delay the bid submission deadline 6-9 months to carry them out. Expressing receptivity to some of these ideas, Bayar nonetheless held that the schedule could not be further postponed absent assurances that US firms would participate. SSM Aviation Department Head Sedat Guldogan said a meeting with a visiting Boeing team earlier that day had gone well and Boeing had already been invited to meet with the Turkish mission computer design consortium, prompting Bayar to declare that SSM was already meeting DUSD Patrick's recommendations. He expressed his desire for Bell Helicopter to rejoin the competition and his intent to contact the company himself.

END SUMMARY.

¶2. (C) In a frank exchange during a two-hour meeting on June 27, DUSD Patrick related to SSM U/S Bayer the concerns relayed to her by the three US firms (Boeing, Bell and Sikorsky) that had purchased the ATAK Helicopter tender regarding the tender's onerous T&Cs and the difficulty for US firms to participate. While recognizing that SSM had revised the tender to remedy some issues raised by Boeing, DUSD Patrick underscored the changes had not gone far enough to ensure a fair playing field for US firms. Enumerating the extensive corporate liability, technology transfer and licensing requirements, DUSD Patrick opined that the tender contained requests for much more information than was needed to achieve SSM's goal of integrating a Turkish mission computer onto a foreign helicopter platform.

FURTHER SSM ACTION NEEDED TO DRAW IN US FIRMS

¶3. (C) After viewing SSM's ATAK Helicopter program summary, DUSD made several specific recommendations for actions that SSM could take that may alleviate some US defense industry concerns about the tender:

- Mission Computer: DUSD emphasized the difficulty for a foreign firm to determine how to configure a helicopter without the 13 pieces of so-called "Delta Equipment" identified by SSM for local production and integration into the helo platform, and how to cost out a helo frame without these items. She recommended that SSM take an additional 6-9 months to pair the Turkish mission computer consortium (ASELSAN (electronics), TAI (aerospace) and TUBITAK (defense industrial research)) with all prospective bidders BEFORE bid submission. With an understanding of the proposed Turkish mission computer configuration, US and other defense firms could better tailor their bids and design a compatible platform configuration. (Note: According to SSM, the mission computer has been in development since 2001 and is scheduled for a July 2006 test run. End Note.) Bayar said SSM had specifically detached the mission computer development from the tender to simplify the bid, but agreed DUSD's idea had merit. However, given that the bid schedule had already been delayed three months following issuance of the revised tender in May, it could not be further delayed -- unless the USG could guarantee that both Boeing and Bell would participate.

- Technical Data Packages (TDP): Saying that in US estimation the laundry list of TDPs required significantly exceeded SSM's needs based on their professed goal, and included far more information than SSM could utilize, DUSD recommended reducing the number of TDP requirements. SSM Aviation Department Head Guldogan acknowledged that 50 TDPs were

requested but protested that 20-30 of those were requests for manuals and other unrestricted information. (Note: DUSD pointed out that SSM's production schedule listed a July 2006 test date for the mission computer and a 2007 First Quarter deadline for TDP submission, suggesting that SSM is not/not requesting the TDPs for mission computer development. Guldogan confirmed that the TDP request is for integration, not design, of the mission computer and other Turkish components. End Note.)

- Delta Equipment: SSM identified 13 pieces of Turkish equipment for integration into the ATAK platform. Beyond the mission computer, the list includes weaponry and some equipment currently produced in Turkey under joint venture with the US, such as a targeting system, radio, flare system and Moving Map. DUSD suggested that Turkey prioritize these items and focus industry efforts only on those absolutely needed in order to simplify the integration challenge.

SSM PLEASED WITH BOEING DISCUSSIONS

14. (C) Guldogan characterized SSM's meeting with Boeing representatives earlier that day as positive, saying that the two sides had agreed "mostly" that the company's risk had been eliminated, but acknowledging that the payment schedule was still under debate. He added that SSM has done "almost" the maximum it can do, separating Boeing issues into three categories: government authorizations, which it wanted Boeing to work with the USG; items that increase production costs, some of which had been addressed; and legal impediments - which Guldogan pledged SSM's best efforts to remedy. SSM had invited Boeing to meet with the mission computer consortium and Boeing had agreed to sit down with the mission Office of Defense Cooperation (ODC) to discuss a way forward on the technology transfer challenges. Hearing this, Bayar said SSM was already meeting DUSD's recommendation on mission computer integration, suggesting that no further effort would be necessary on SSM's part.

BELL - PLEASE COME BACK TO THE TABLE

15. (C) Bayar repeated several times SSM's interest in drawing Bell Helicopter back to the table. He recognized that Bell's negative experience with the first tender -- which it won and negotiated for 7 years, only to see the tender canceled in 2004 -- may have led to Bell's withdrawal from participation in the second tender. In Bayar's view, however, the changes reflected in the revised tender issued in May might be significant enough to draw Bell back to the table. Recognizing that the USG can not act as an intermediary with a US firm, Bayar pledged to contact Bell's President himself.

16. (SBU) Comment: In a subsequent meeting with Boeing, company officials suggested that the rosy picture painted by SSM regarding their discussions did not reflect reality. The officials claim the revised ATAK tender only addressed 3-4% of the 100 issues Boeing had raised with SSM and that most of those changes were insubstantial. They dismiss the proposed meeting with SSM's mission computer consortium as moderately helpful, saying that absent further changes to the tender it remained difficult for Boeing to bid. They ask, however, that the USG not relay that to the GOT as the company has other business pending with SSM that it wants resolved first.

17. (SBU) Comment (cont.): Other industry contacts have confirmed that SSM Under Secretary Bayar did contact Bell Helicopter Senior VP for Sales and Marketing Robert Fitzpatrick. Our sources further indicated that the revised tender issued in May 2005 did not include sufficient changes to persuade Bell to re-join the competition. End Comment.

18. (U) This cable was not cleared with DUSD Patrick.
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